FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORTS WATONGA INDEPENDENT SCHOOL DISTRICT NO. 42
BLAINE COUNTY, OKLAHOMA JUNE 30, 2014

WATONGA INDEPENDENT SCHOOL DISTRICT NO. 42 BLAINE COUNTY, OKLAHOMA JUNE 30, 2014

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WATONGA INDEPENDENT SCHOOL DISTRICT NO. 42 BLAINE COUNTY, OKLAHOMA SCHOOL DISTRICT OFFICIALS **JULY 1, 2013 THROUGH JUNE 30, 2014**

Board of Education

President Vice-President

Clerk

Member Member

Dwight McGee

Joyce Lucas

Juan Valenzuela Aaron Clewell

Lane Edsall

School District Treasurer

Donna Hoskins, Blaine County Treasurer

Superintendent of Schools

Bill Seitter

JAMES M. KUYKENDALL RICK D. MILLER 204 E. FRANKLIN - P.O. BOX 507 WEATHERFORD, OK 73096 580-772-3596 FAX 580-772-3085 BRANCH OFFICE: 106 N. COLLEGE - P.O. BOX 266 CORDELL, OK 73632 580-832-5313 FAX 580-832-5314

INDEPENDENT AUDITOR'S REPORT

The Honorable Board of Education Watonga Independent School District No. 42 Watonga, Blaine County, Oklahoma

Report on the Financial Statements

We have audited the accompanying fund type and account group financial statements-regulatory basis of Watonga Independent School District No. 42, Oklahoma, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Watonga Independent School District No. 42, Oklahoma's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the accounting and financial reporting regulations prescribed or permitted by the Oklahoma State Department of Education as described in Note 1. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in <u>Government Auditing Standards</u>, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness

of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As discussed in Note 1, Watonga Independent School District No. 42, Oklahoma, prepares its financial statements in conformity with the accounting and financial reporting regulations prescribed or permitted by the Oklahoma State Department of Education, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The differences between the regulatory basis of accounting and accounting principles generally accepted in the United States of America are also described in Note 1. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the School's policy to prepare its financial statements on the basis of accounting discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of Watonga Independent School District No. 42, Oklahoma, as of June 30, 2014, or the results of its operations for the year then ended.

Basis for Qualified Opinion on Regulatory Basis of Accounting

As discussed in Note 1, the financial statements referred to above do not include the General Fixed Asset Account Group, which is a departure from the accounting and financial reporting regulations prescribed or permitted by the Oklahoma State Department of Education. The amount that should be recorded in the General Fixed Asset Account Group is not known.

Qualified Opinion on Regulatory Basis of Accounting

However, in our opinion, except for the omission of the general fixed asset account group as discussed in the Basis for Qualified Opinion on Regulatory Basis of Accounting paragraph, the financial statements referred to above present fairly, in all material respects, the cash and unencumbered cash balances arising from regulatory basis transactions of each fund type and account group of Watonga Independent School District No. 42, Oklahoma, as of June 30, 2014, and the revenues it received and expenditures it paid and encumbered for the year then ended, on the regulatory basis of accounting described in Note 1.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the fund type and account group financial statements that collectively comprise Watonga Independent School District No. 42, Oklahoma's basic financial statements. The Combining Financial Statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, <u>Audits of States, Local Governments</u>, and Non-Profit Organizations, and is also not a required part of the basic financial statements.

The Combining Financial Statements and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the fund type and account group financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, except for the financial statements being prepared in compliance with the regulatory basis as prescribed by the Oklahoma State Department of Education as discussed in Note 1, such information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with <u>Government Auditing Standards</u>, we have also issued our report dated November 3, 2014, on our consideration of Watonga Independent School District No. 42, Oklahoma's, internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with <u>Government Auditing Standards</u> in considering Watonga Independent School District No. 42, Oklahoma's internal control over financial reporting and compliance.

BRITTON, KUYKENDALL & MILLER

Britton, Kurshendell & Miller

Certified Public Accountants

Weatherford, Oklahoma November 3, 2014

COMBINED FINANCIAL STATEMENTS

OF

WATONGA INDEPENDENT SCHOOL DISTRICT NO. 42 BLAINE COUNTY, OKLAHOMA

WATONGA INDEPENDENT SCHOOL DISTRICT NO. 42 BLAINE COUNTY, OKLAHOMA COMBINED BALANCE SHEET ALL FUND TYPES AND ACCOUNT GROUPS - REGULATORY BASIS JUNE 30, 2014

		Governmental Fund Types								
			Special			Debt		Capital		
-		General		Revenue	_	Service		Projects		
ASSETS										
Cash and Investments Amount available in debt service	\$	1,625,326.81	\$	414,574.33	\$	8,909.97	\$	0.00		
fund Amount to be provided for retirement		0.00		0.00		0.00		0.00		
of general long-term debt	-	0.00	_	0.00	_	0.00	_	0.00		
Total Assets	\$_	1,625,326.81	\$_	414,574.33	.\$_	8,909.97	\$_	0.00		
				•						
LIABILITIES AND FUND BALANCE										
Liabilities:										
Warrants payable	\$	447,439.39	\$	73,412.57	\$	0.00	\$	0.00		
Encumbrances		0.00		0.00		0.00		0.00		
Due to others		0.00		0.00		0.00		0.00		
General obligation bonds payable		0.00		0.00		0.00		0.00		
Interest Payable		0.00		0.00		0.00		0.00		
Judgment Payable	_	0.00	-	0.00	_	0.00	-	. 0.00		
Total Liabilities	_	447,439.39		73,412.57	-	0.00	_	0.00		
Fund Equity:										
Reserved:		0.00		0.00		0.00		0.00		
Designated for capital projects		0.00		0.00		0.00		0.00		
Designated for debt service		0.00		0.00		8,909.97		0.00		
Undesignated		1,177,887.42		341,161.76	_	0.00		0.00		
Total fund balances	_	1,177,887.42		341,161.76		8,909.97		0.00		
Total Liabilities and Fund Balances	\$_	1,625,326.81	\$	414,574.33	\$_	8,909.97	\$	0.00		

· <u>-</u>	Fiduciary Fund Types Trust and Agency	-	Account Group General Long- Term Debt	-	Total (Memorandum Only - Note 1) 2014
\$	172,715.96	\$	0.00	\$	2,221,527.07
Ψ	172,7 10.00	Ψ	0.00	Ψ	2,221,021.01
	0.00		8,909.97		8,909.97
_	0.00		621,090.03		621,090.03
\$_	172,715.96	. \$	630,000.00	\$	2,851,527.07
\$	0.00	\$	0.00	\$	520,851.96
	0.00		0.00		0.00
	172,715.96		0.00		172,715.96
	0.00		630,000.00		630,000.00
	0.00		0.00		0.00
-	0.00		0.00		0.00
	172,715.96		630,000.00		1,323,567.92
					·
					0.00
	0.00		0.00		0.00
	0.00		0.00		8,909.97
	0.00		0.00		1,519,049.18
	0.00		0.00		1,527,959.15
\$	172,715.96	\$	630,000.00	\$	2,851,527.07

WATONGA INDEPENDENT SCHOOL DISTRICT NO. 42 BLAINE COUNTY, OKLAHOMA COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - REGULATORY BASIS ALL GOVERNMENTAL FUND TYPES FOR THE YEAR ENDED JUNE 30, 2014

			Governmenta	.i =	nd Types				Total (Memorandum
-			Special	n Fui	Debt		Capital		Only - Note 1)
•	General		Revenue		Service	•	Projects		2014
Revenues:	Ocholai	_	rtorondo	_	0011100	_	1.70,00.0	-	
Local sources \$	1,368,345.80	\$	253,334.01	\$	157,394.10	\$	0.00	\$	1,779,073.91
Intermediate sources	239,652,75	·	0.00		0.00		0.00		239,652.75
State sources	3,298,630.19		47,219.44		15.10		0.00		3,345,864.73
Federal Sources	549,245.41	_	296,378.27		0.00		0.00	-	845,623.68
Total Revenues Collected	5,455,874.15		596,931.72	_	157,409.20	_	0.00	_	6,210,215.07
Expenditures:									•
Instruction	3,127,193.07		61,102.86		0.00		0.00		3,188,295.93
Support services	1,832,185.53		269,183.62		0.00		630,000.00		2,731,369.15
Non - Instructional services	0.00		356,547.11		0.00		0.00		356,547.11
Capital outlay	0.00		5,136.50		0.00		0.00		5,136.50
Other outlays	7,448.96		174.90		0.00		0.00		7,623.86
Debt service:	·								
Principal retirement	0.00		0.00		175,000.00		0.00		175,000.00
Interest and fiscal agent charges	0.00		0.00		6,386.75		0.00		6,386.75
Judgments paid	0.00		0.00	_	0.00		0.00	-	0.00
Total Expenditures	4,966,827.56	-	692,144.99		181,386.75	_	630,000.00		6,470,359.30
Excess of revenue over (under) expenditures	489,046.59		(95,213.27)		(23,977.55)		(630,000.00)		(260,144.23)
Adjustments to prior year encumbrances	170.70		0.00		0.00		0.00		170.70
Other financing sources (uses):									
Operating Transfers	0.00		, 0.00		0.00		0.00		0.00
Bond sale proceeds	0.00		0.00		0.00		630,000.00		630,000.00
Excess of revenues and other sources over (under) expenditures and other uses	489,217.29		(95,213.27)		(23,977.55)		0.00		370,026.47
Beginning fund balance	688,670.13		436,375.03		32,887.52	-	0.00		1,157,932.68
Ending fund balance \$_	1,177,887.42	\$_	341,161.76	\$_	8,909.97	\$	0.00	\$	1,527,959.15

WATONGA INDEPENDENT SCHOOL DISTRICT NO. 42 BLAINE COUNTY, OKLAHOMA

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - REGULATORY BASIS BUDGETED GOVERNMENTAL FUND TYPES

FOR THE YEAR ENDED JUNE 30, 2014

		Original Budget	_	Final Budget		Actual
Beginning fund balances, budgetary basis	\$	688,670.13	\$	688,670.13	\$	688,670.13
Revenues:						•
Local sources		1,189,481.85		1,189,481.85		1,368,345.80
Intermediate sources		226,590.91		226,590.91		239,652.75
State sources		2,582,653.68		2,582,653.68		3,298,630.19
Federal sources	-	369,984.76	_	369,984.76		549,245.41
Total Revenue, budgetary basis	_	4,368,711.20	_	4,368,711.20	_	5,455,874.15
Expenditures:				•		
Instruction		3,153,951.57		3,153,951.57	i	3,127,193.07
Support services		1,894,452.89		1,894,452.89		1,832,185.53
Non - Instructional services		0.00		0.00		0.00
Capital Outlay		0.00		0.00		0.00
Other Outlays		8,976.87		8,976.87		7,448.96
Debt Service:						
Principal retirement		0.00		0.00		. 0.00
Interest and fiscal agent charges		0.00		0.00		0.00
Judgments paid	-	0.00	. <u>.</u>	0.00	-	0.00
Total Expenditures, budgetary basis		5,057,381.33		5,057,381.33		4,966,827.56
Excess of revenue and beginning fund balances over (under) expenditures - budgetary basis		0.00		0.00		1,177,716.72
Other financing sources (uses):						
Operating Transfers		0.00		0.00		0.00
Bond sale proceeds	_	0.00		0.00		0.00
Excess of revenues and other sources over						
(under) expenditures and other uses		0.00		0.00		1,177,716.72
Adjustments to prior year encumbrances	<u></u>	0.00		0.00	-	170.70
Ending fund balances	\$_	0.00	\$.	0.00	\$_	1,177,887.42

		Spec	ial Revenue Fun	ds				De	bt Service Fund		
	Original		Final				Original	•	Final		
	Budget		Budget		Actual		Budget		Budget		Actual
\$	436,375.03	\$	436,375.03	\$	436,375.03	\$	32,887.52	\$	32,887.52	\$	32,887.52
	244,397.98		244,397.98		253,334.01		148,499.98		148,499.98		157,394.10
	0.00		0.00		0.00		0.00		0.00		0.00
	28,852.16 259,093.84		42,862.84 259,093.84		47,219.44 296,378.27		0.00 0.00		0.00 0.00		15.10 0.00
	532,343.98		546,354.66		596,931.72		148,499.98		148,499.98		157,409.20
	51,034.71		61,495.01		61,102.86		0.00		0.00		0.00
	550,596.86		553,552.34		269,183.62		0.00		0.00		0.00
	361,442.13		361,922.13		356,547.11		0.00		0.00		0.00
	5,136.50		5,136.50		5,136.50		0.00		0.00		0.00
	508.81		623.71		174.90		0.00		0.00		0.00
	0.00		0.00		0.00		175,000.00		175,000.00		175,000.00
	0.00 0.00		0.00 0.00		0.00	_	6,387.50 0.00	-	6,387.50 0.00		6,386.75 0.00
	968,719.01		982,729.69		692,144.99		181,387.50		181,387.50		181,386.75
	0.00		0.00		341,161.76		0.00		0.00		8,909.97
	0.00		0.00		0.00		0.00		0.00		0.00
	0.00 0.00		0.00		0.00		0.00		0.00		0.00
	0.00		0.00		0.00	-	0.00		0.00		0.00
	0.00		0.00		341,161.76		0.00		0.00	•	8,909.97
_	0.00		0.00		0.00	_	0.00	_	0.00		0.00
\$_	0.00	\$_	0.00	\$	341,161.76	\$_	0.00	\$_	0.00	\$_	8,909.97

NOTES TO COMBINED FINANCIAL STATEMENTS

OF

WATONGA INDEPENDENT SCHOOL DISTRICT NO. 42 BLAINE COUNTY, OKLAHOMA

1. Summary of Significant Accounting Policies

The basic financial statements of the Watonga Independent School District No. 42 (the "District") have been prepared in conformity with another comprehensive basis of accounting as prescribed by the Oklahoma State Department of Education. The more significant of the District's accounting policies are described below.

A. Reporting Entity

The District is a corporate body for public purposes created under Title 70 of the Oklahoma Statutes and accordingly is a separate entity for operating and financial reporting purposes. The District is part of the public school system of Oklahoma under the general direction and control of the State Board of Education and is financially dependent on State of Oklahoma support. The general operating authority for the public school system is the Oklahoma School Code contained in Title 70, Oklahoma Statutes.

The governing body of the District is the Board of Education composed of five elected members. The appointed superintendent is the executive officer of the District.

In evaluating how to define the District, for financial reporting purposes, management The decision to include a potential has considered all potential component units. component unit in the reporting entity was made by applying the criteria established by the Governmental Accounting Standards Board (GASB). The basic -- but not the only -criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the District and/or its citizens, or whether the activity is conducted within the geographic boundaries of the District and is generally available to its patrons. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the District is able to exercise oversight responsibilities. Based upon the application of these criteria, there are no potential component units included in the District's reporting entity.

Summary of Significant Accounting Policies, (Continued)

B. Fund Accounting

The District uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain district functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

Funds are classified into three categories: governmental, proprietary and fiduciary. Each category, in turn, is divided into separate "fund types."

Governmental Fund Types

Governmental funds are used to account for all or most of a government's general activities, including the collection and disbursement of earmarked monies (special revenue funds), the acquisition or construction of general fixed assets (capital projects funds), and the servicing of general long-term debt (debt service funds).

General Fund - The general fund is used to account for all financial transactions except those required to be accounted for in another fund. Major revenue sources include state and local property taxes and state funding under the Foundation and Salary Incentive Aid Program. Expenditures include all costs associated with the daily operations of the schools except for programs funded for building repairs and maintenance, school construction and debt service on bonds and other long-term debt. The general fund includes federal and state restricted monies that must be expended for specific programs.

<u>Special Revenue Fund</u> - The special revenue fund of the District consists of the Building Fund, Child Nutrition Fund, Co-op Fund, and Gift and Endowment Fund.

Summary of Significant Accounting Policies, (Continued)

Fund Accounting, (Continued)

Special Revenue Funds, (Continued)

<u>Building Fund</u> - The Building Fund consists of monies derived from property taxes levied for the purpose of erecting, remodeling, or repairing buildings and for purchasing furniture and equipment.

<u>Child Nutrition Fund</u> - The Child Nutrition Fund consists of monies collected from meals served to students and employees of the district and is expended on food, supplies and salaries. The district also deposits monies received from the National School Lunch and Breakfast programs into this fund.

<u>Co-op Fund</u> - The Co-op Fund consists of monies collected from certain federal grant program resources and contributions from other school districts who voluntarily choose to pool their resources for the purpose of coordinated, multi-district education and related services.

<u>Gift and Endowment Fund</u> - The Gift and Endowment Fund receives it assets by way of foundations, individuals, or private organizations for which no repayment or special service to the contributor is expected. This fund is used to promote the general welfare of the District.

<u>Debt Service Fund</u> - The Debt Service Fund is the District's Sinking Fund and is used to account for the accumulation of financial resources for the payment of general long-term debt principal, interest and related costs. The primary revenue sources are local property taxes levied specifically for debt service and interest earnings from temporary investments.

<u>Capital Projects Fund</u> - The Capital Projects Fund is the District's Bond Fund and is used to account for the proceeds of bond sales to be used exclusively for acquiring school sites, constructing and equipping new school facilities, renovating existing facilities, and acquiring transportation equipment.

<u>Permanent Fund</u> - Permanent Funds account for restricted resources where the District is under an obligation to maintain the trust principal. Although the principal may not be expended, the interest generated from these funds is to be used for scholarships. The District currently has no permanent fund.

Summary of Significant Accounting Policies, (Continued)

Fund Accounting, (Continued)

<u>Fiduciary Fund Types</u> - Fiduciary funds are used to account for assets held on behalf of outside parties, including other governments, or on behalf of other funds within the District. Agency funds generally are used to account for assets that the District holds on behalf of others as their agent and do not involve measurement of results of operations. The fiduciary fund of the District consists of the Agency Fund.

<u>Agency Fund</u> - The Agency Fund is the School Activities Fund which is used to account for monies collected principally through fundraising efforts of the students and District-sponsored groups. The administration is responsible, under the authority of the Board, for collecting, disbursing and accounting for these activity funds.

Account Groups

Account groups are not funds and consist of a self-balancing set of accounts used only to establish accounting control over long-term debt and general fixed assets not accounted for in proprietary funds.

General Long-Term Debt Account Group - This account group was established to account for all long-term debt of the District, which is offset by the amount available in the debt service fund and the amount to be provided in future years to complete retirement of the debt principal. It is also used to account for liabilities for compensated absences and early retirement incentives which are to be paid from funds provided in future years.

<u>General Fixed Asset Account Group</u> - This account group is used to account for property, plant and equipment of the school district. The District has not maintained the cost of fixed assets purchased in previous years. Thus the General Fixed Asset Account Group is not presented.

Summary of Significant Accounting Policies, (Continued)

Fund Accounting, (Continued)

Memorandum Only - Total Column

The total column on the general purpose financial statements is captioned "memorandum only" to indicate that it is presented only to facilitate financial analysis. Data in this column does not present financial position, results of operations or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

C. Basis of Accounting

The District prepares its financial statements in a presentation format that is prescribed by the Oklahoma State Department of Education. This format is essentially the generally accepted form of presentation used by state and local governments prior to the effective date of GASB Statement No. 34, Basic Financial Statements - Management's Discussion and Analysis - for State and Local Governments. This format differs significantly from that required by GASB Statement No. 34.

The basic financial statements are essentially prepared on a basis of cash receipts and disbursements modified as required by the regulations of the Oklahoma State Department of Education as follows:

- •Encumbrances represented by purchase orders, contracts and other commitments for the expenditure of monies are recorded as expenditures when approved.
- •Investments are recorded as assets when purchased.
- •Warrants payable are recorded as liabilities when issued.
- •Long-term debt is recorded when incurred.

This regulatory basis of accounting differs from accounting principles generally accepted in the United States of America, which require revenues to be recognized when they become available and measurable, or when they are earned, and expenditures or expenses to be recognized when the related liabilities are incurred for governmental fund types.

Summary of Significant Accounting Policies, (Continued)

D. Budgets and Budgetary Accounting

The District is required by state law to prepare an annual budget. A preliminary budget must be submitted to the Board of Education by December 31 for the fiscal year beginning the following July 1. If the preliminary budget requires an additional levy, the District must hold an election on the second Tuesday in February to approve the levy. If the preliminary budget does not require an additional levy, it becomes the legal budget. If an election is held and the taxes are approved, then the preliminary budget becomes the legal budget. If voters reject the additional taxes, the District must adopt a budget within the approved tax rate.

The District may upon approval by a majority of the electors of the District voting on the question make the advalorem levy, emergency levy and local support levy permanent.

Under current Oklahoma Statutes, a formal budget is required for all funds except for agency funds. Budgets are presented for all funds that include the originally approved budgeted appropriations for expenditures and final budgeted appropriations as adjusted for supplemental appropriations and approved transfers between budget categories.

E. Assets, Liabilities and Fund Equity

<u>Cash and Cash Equivalents</u> - For purposes of the statement of cash flows, the District considers all cash on hand, demand deposits and highly liquid investments, with an original maturity of three months or less when purchased, to be cash and cash equivalents.

<u>Investments</u> - Investments consist of direct obligations of the United States Government and Agencies or certificates of deposit with maturities greater than three months when purchased. All investments are recorded at cost, which approximates market value.

<u>Property Tax Revenues</u> - The District is authorized by state law to levy property taxes which consist of advalorem taxes on real and personal property within the District. The County Assessor, upon receipt of the certification of tax levies from the county excise board, extends the tax levies on the tax roll for submission to the county treasurer prior to October 1. The county treasurer must commence tax collection within fifteen days of receipt of the tax rolls. The first half of taxes is due prior to January 1. The second half is due prior to April 1.

Summary of Significant Accounting Policies, (Continued)

Assets, Liabilities and Fund Equity, (Continued)

Property Tax Revenues, (Continued)

If the first payment is not made timely, the entire tax becomes due and payable on January 2. Second half taxes become delinquent on April 1 of the year following the year of assessment. If not paid by the following October 1, the property is offered for sale for the amount of taxes due. The owner has two years to redeem the property by paying the taxes and penalty owed. If, at the end of two years, the owner has not done so, the purchaser is issued a deed to the property.

<u>Inventories</u> - The value of consumable inventories at June 30, 2014 is not material to the financial statements.

<u>Fixed Assets and Property, Plant and Equipment</u> - The General Fixed Asset Account Group is not presented.

<u>Compensated Absences</u> - The school does not calculate a dollar value of compensated absences. Thus, compensated absences have not been presented.

<u>Long-Term Debt</u> - Long-term debt is recognized as a liability of a governmental fund when due, or when resources have been accumulated in the Debt Service Fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the General Long-Term Debt Account group.

<u>Cash Fund Balance</u> - Cash fund balance represents the cash and investments not encumbered by purchase order, legal contracts, and outstanding warrants.

F. Revenue, Expenses and Expenditures

<u>State Revenues</u> - Revenues from state sources for current operations are primarily governed by the state aid formula under the provisions of Article XVIII, Title 70, Oklahoma Statutes. The State Board of Education administers the allocation of state aid funds to school districts based on information accumulated from the districts.

Summary of Significant Accounting Policies, (Continued)

Revenues, Expenses and Expenditures, (Continued)

State Revenues, (Continued)

After review and verification of reports and supporting documentation, the State Department of Education may adjust subsequent fiscal period allocations of money for prior year errors disclosed by review. Normally, such adjustments are treated as reductions or additions of revenue of the year when the adjustment is made. The District receives revenue from the state to administer certain categorical educational programs. State Board of Education rules require that revenue earmarked for these programs be expended only for the program for which the money is provided and require that the money not expended as of the close of the fiscal year be carried forward into the following year to be expended for the same categorical programs. The State Department of Education requires that categorical, educational program revenues be accounted for in the general fund.

<u>Interfund Transactions</u> - Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund or expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Nonrecurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers. There were no transfers during the fiscal year ended June 30, 2014.

G. Statement of Cash Flows

Since the District does not currently have any Proprietary Fund Types, the statement of cash flows has not been presented in the fiscal year 2014 accompanying financial statements.

2. Cash and Investments

The District's investment policies are governed by state statute. Permissible investments include direct obligations of the United States Government and Agencies; certificates of deposit of savings and loan associations, and bank and trust companies; and savings accounts or savings certificates of savings and loan associations, and trust companies. Collateral is required for demand deposits and certificates of deposit for all amounts not covered by federal deposit insurance.

The District's treasurer is the County Treasurer. Oklahoma Statutes allow the official bond of the County Treasurer to stand for any and all funds and securities coming into the hands of the County Treasurer.

<u>Deposits</u> - The District's cash deposits at June 30, 2014, are categorized to give an indication of the level of risk assumed by the District at year end as follows:

Deposits Categories of Credit Risk

- (A) Insured or collateralized with securities held by the District or by its agent in the District's name.
- (B) Collateralized with securities held by the pledging financial institution's trust department or agent in the District's name.
- (C) Uncollateralized.

		Category									
	(A)	(B)	(C)	Bank Balance							
Cash	\$ 2,133,541.82			, ,							
Investments	87,985.25	0.00	0.00	87,985.25							
Total	\$ <u>2,221,527.07</u>	\$ 0.00	\$ 0.00	\$ 2,221,527.07							

<u>Investments</u> - Investments consist of certificates of deposit or direct obligations of the United States Government and Agencies at June 30, 2014, and are categorized to give an indication of the level of risk assumed by the District.

3. General Long-Term Debt

State Statutes prohibit the District from becoming indebted in an amount exceeding the revenue to be received for any fiscal year without approval by the District's voters. Bond issues have been approved by the voters and issued by the District for various capital improvements. These bonds are required to be fully paid serially within 25 years from the date of issue.

General long-term debt of the District consists of bonds payable. Obligations for capital leases, compensated absences, and early retirement incentives have not been presented. Debt service requirements for bonds payable are solely from fund balance and future revenues of the Debt Service Fund. The following is a summary of the long-term debt transactions of the District for the year ended June 30, 2014.

		Bonds Payable
Balance 7-1-13 Additions Retirements	\$ _.	175,000.00 630,000.00 175,000.00
Balance 6-30-14	\$	630,000.00

A brief description of the outstanding bond issue at June 30, 2014, is set forth below:

	Interest Rate	Maturity Date	 Amount Issued	Amount Outstanding
2013 Transportation Equipment Bond	0.700%	10-1-15	\$ 630,000.00 \$	630,000.00

Presented below is a summary of debt service requirements for the remaining life of the bond:

_	Interest Rate		Principal	Interest	Total
6-30-15 6-30-16	0.700% 0.700%	\$	0.00 \$ 630,000.00	6,615.00 \$ 2,205.00	6,615.00 632,205.00
		\$_	630,000.00 \$	8,820.00 \$	638,820.00

General-Long Term Debt, (Continued)

Interest expense on general long-term debt incurred during the current year totaled \$6,386.75.

4. Employee Retirement System

The District participates in the state-administered Oklahoma Teachers' Retirement System (the "System"), which is a cost-sharing, multiple-employer public employee retirement system (PERS). Under the System, contributions are made by the District, the State of Oklahoma, and the participating employees. Participation is required for all teachers and other certified employees and is optional for all other regular employees of public educational institutions who work at least 20 hours per week. A participant's date of membership is the date the first contribution is made to the System. The System is administered by a board of trustees which acts as a fiduciary for investing the funds and governing the administration of the System. The District has no responsibility or authority for the operation and administration of the System nor has it any liability, except for the current contribution requirements.

A participant with five years of creditable service may retire with a normal retirement allowance at the age of sixty-two or with reduced benefits as early as age fifty-five. The normal retirement allowance paid monthly for life and then to beneficiaries, if certain options are exercised, equals two percent of the average of the highest three earning years of contributory service multiplied by the number of years of credited service. A participant leaving employment before attaining retirement age, but completing ten years of service, may elect to vest his accumulated contributions and defer receipt of a retirement annuity until a later date. When a participant dies in active service and has completed ten years of credited service, the beneficiary is entitled to a death benefit. If the beneficiary is a surviving spouse, the surviving spouse may, in lieu of the death benefit, elect to receive, subject to the surviving spousal options, the participant's retirement benefits accrued at the time of death.

The contribution rates for the Districts, which are not actuarially determined, and its employees are established by statute and applied to the employee's earnings, plus employer-paid fringe benefits. The District is required by statute to contribute 9.5% of applicable compensation effective July 1, 2010 and thereafter. The District is allowed by the Oklahoma Teachers' Retirement System to make the required contributions on behalf of the participating members. The required contribution for participating members is 7.0% of each member's total compensation.

Employee Retirement System, (Continued)

For the year ended June 30, 2014, the total compensation covered by the Teacher Retirement System was \$3,288,297.86. The District's contributions to the System for the years ending June 30, 2014, 2013, and 2012 were \$317,954.69, \$301,834.66, and \$276,939.71, respectively.

The pension benefit obligation is a standardized disclosure measure of the present value of pension benefits. This pension valuation method reflects the present value of estimated pension benefits that will be paid in future years as a result of employee services performed to date and is adjusted for the effect of projected salary increases. There are no actuarial valuations performed on individual school districts. The nonfunded pension benefit obligation of the System, as determined as part of the latest actuarial valuation dated June 30, 2013, is as follows:

Total Pension Benefit Obligation \$18,973,166,739 Actuarial Value of Assets \$10,861,057,537

Unfunded Actuarial Accrued Liability \$8,112,109,202

The System's accounting records are maintained on the cash basis of accounting, except for accruals of interest income.

Ten year historical trend information is presented in the Teachers' Retirement System of Oklahoma Annual Report for the year ended June 30, 2013. This information is useful in assessing the pension plan's accumulation of sufficient assets to pay pension benefits as they become due. The Oklahoma Teachers' Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Oklahoma Teachers' Retirement System, P.O. Box 53524, Oklahoma City, OK 73152 or by calling (405) 521-2387.

5. Risk Management

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, employees' health and life, and natural disasters. The District manages these various risks of loss through the purchase of commercial insurance. Management believes such coverage is sufficient to preclude any significant uninsured losses to the District. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years.

6. Health Care Coverage

During the year ended June 30, 2014, employees of the Watonga Independent School District No. 42, Oklahoma, were covered by a health insurance plan (the plan). The plan was authorized by House Bill 1731, 1988 Oklahoma Legislature (74 O.S. 1988, Supp. Section 1301-1322) with the Oklahoma State and Education Employers Group Insurance Board.

7. Investment Income

Investment income deposits are receipted as allocated by the Treasurer. School District Funds held by the Treasurer are required to be invested in accordance with Title 70 of the Oklahoma Statutes. Interest income on cash funds totaled \$3,792.95.

8. Contingencies

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although the District expects such amounts, if any, to be immaterial.

9. Surety Bonds

The District has a bond with RLI Insurance Company, bond number RSB8005147, which covers the treasurer for the penal sum of \$100,000.00 for the term of January 1, 2013 to January 1, 2014 and for the term of January 1, 2014 to January 1, 2015.

The District has a bond with RLI Insurance Company, bond number RSB8005134, which covers the Principals, Activity Fund Secretary, Financial Secretary, Minutes Clerk, Elementary School Petty Cash Custodian, Middle School Petty Cash Custodian, High School Petty Cash Custodian, Child Nutrition Custodian, and the Activity Fund Custodians for the penal sum of \$5,000 each for the term of January 1, 2013 to January 1, 2014 and from January 1, 2014 to January 1, 2015.

The District has a bond with RLI Insurance Company, bond number LSM0400986, which covers the superintendent for the penal sum of \$100,000.00 for the term of July 1, 2013 to July 1, 2014.

10. Subsequent Events

Management has evaluated subsequent events through November 3, 2014, which is the date the financial statements were available to be issued and have determined that no additional information needs to be added to the financial statements.

SUPPORTING SCHEDULES

OF

WATONGA INDEPENDENT SCHOOL DISTRICT NO. 42 BLAINE COUNTY, OKLAHOMA

COMBINING FINANCIAL STATEMENTS

OF

WATONGA INDEPENDENT SCHOOL DISTRICT NO. 42 BLAINE COUNTY, OKLAHOMA

WATONGA INDEPENDENT SCHOOL DISTRICT NO. 42 BLAINE COUNTY, OKLAHOMA COMBINING STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCES - REGULATORY BASIS - ALL SPECIAL REVENUE FUNDS JUNE 30, 2014

<u>ASSETS</u>	-	Building Fund		Child Nutrition Fund		Coop Fund	_	Gift and Endowment Fund		Totals 2014
Cash and Investments	\$	209,097.65	\$	60,043.47	\$	1,258.80	\$_	144,174.41	\$	414,574.33
Total Assets	\$	209,097.65	\$	60,043.47	\$_	1,258.80	\$_	144,174.41	\$	414,574.33
LIABILITIES AND FUND BALANCES Liabilities: Warrants payable Encumbrances Total Liabilities	\$ 	10,899.50 0.00 10,899.50	* 	24,440.29 0.00 24,440.29	\$ 	1,188.78 0.00 1,188.78	\$	36,884.00 0.00 36,884.00	\$. —	73,412.57 0.00 73,412.57
Total fund balances		198,198.15	_	35,603.18		70.02		107,290.41	_	341,161.76
Total Liabilities and Fund Balances	\$	209,097.65	\$	60,043.47	\$_	1,258.80	\$_	144,174.41	\$_	414,574.33

WATONGA INDEPENDENT SCHOOL DISTRICT NO. 42 BLAINE COUNTY, OKLAHOMA COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - REGULATORY BASIS ALL SPECIAL REVENUE FUNDS FOR THE YEAR ENDED JUNE 30, 2014

	Building Fund		Child Nutrition Fund		Coop Fund		Gift and Endowment Fund	_	Totals 2014
Revenues:								_	
Local sources		\$	62,166.72	\$		\$	-,	\$	253,334.01
Intermediate sources	0.00		0.00		0.00		0.00		0.00
State sources	18.09		33,190.67		14,010.68		0.00		47,219.44
Federal Sources	0.00		273,021.36	•	23,356.91	_	0.00	-	296,378.27
Total Revenues Collected	187,751.72		368,378.75	-	37,482.49		3,318.76	-	596,931.72
Expenditures:			-						
Instruction	0.00		0.00		35,254.86		25,848.00		61,102.86
Support services	204,482.14		0.00		2,317.48		62,384.00		269,183.62
Non - Instructional services	0.00		356,439.70		107.41		0.00		356,547.11
Capital Outlay	5,136.50		. 0.00		0.00		0.00		5,136.50
Other Outlays	0.00		60.00	-	114.90	_		-	174.90
Total Expenditures	209,618.64		356,499.70	-	37,794.65	_	88,232.00	-	692,144.99
Excess of revenue over (under) expenditures	(21,866.92)	11,879.05		(312.16)		(84,913.24)		(95,213.27)
Adjustments to prior year encumbrances	0.00		0.00		0.00		0.00		0.00
Other financing sources (uses):									
Operating Transfers	0.00		0.00	-	0.00	-	0.00		0.00
Excess of revenue and other sources over									
(under) expenditures and other uses	(21,866.92)	11,879.05		(312.16)		(84,913.24)		(95,213.27)
Beginning fund balance	220,065.07		23,724.13	-	382.18	-	192,203.65		436,375.03
Ending fund balance	\$ 198,198.15	_ \$	35,603.18	. \$	70.02	\$_	107,290.41	\$	341,161.76

WATONGA INDEPENDENT SCHOOL DISTRICT NO. 42 BLAINE COUNTY, OKLAHOMA

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - REGULATORY BASIS

ALL SPECIAL REVENUE FUNDS (EXCLUDING ENDOWMENT FUND)

FOR THE YEAR ENDED JUNE 30, 2014

		Building Fund						
		Original Budget		Final Budget		Actual		
Beginning fund balances, budgetary basis	\$	220,065.07	\$	220,065.07	\$	220,065.07		
Revenues:								
Local sources		169,925.98		169,925.98		187,733.63		
Intermediate sources		0.00		0.00		0.00		
State sources		0.00		0.00		18.09		
Federal sources		0.00		0.00		0.00		
Total Revenue, budgetary basis		169,925.98		169,925.98		187,751.72		
Expenditures:								
Instruction		0.00		0.00		0.00		
Support services		384,854.55		384,854.55		204,482.14		
Non - Instructional services		0.00		0.00		0.00		
Capital Outlay		5,136.50		5,136.50		5,136.50		
Other Outlays	*****	0.00	_	0.00		0.00		
Total Expenditures, budgetary basis		389,991.05		389,991.05		209,618.64		
Excess of revenue and beginning fund balances over (under) expenditures -						400 400 45		
budgetary basis		0.00		0.00	•	198,198.15		
Other financing sources (uses):								
Operating Transfers		0.00	_	0.00	_	0.00		
Excess of revenues and other sources over (under) expenditures and other uses		0.00		0.00		198,198.15		
(under) experiences and outer acco		0.00		0.00		,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,		
Adjustments to prior year encumbrances		0.00	_	0.00		0.00		
Ending fund balances	\$	0.00	\$_	0.00	\$_	198,198.15		

Child Nutrition Fund						Coop Fund								
	Original Budget		Final Budget		Actual		Original Budget	_	Final Budget		Actual			
\$	23,724.13	\$	23,724.13	\$	23,724.13	\$	382.18	\$	382.18	\$	382.18			
	74,472.00 0.00 28,852.16 234,453.84		74,472.00 0.00 28,852.16 234,453.84		62,166.72 0.00 33,190.67 273,021.36		0.00 0.00 0.00 24,640.00		0.00 0.00 14,010.68 24,640.00		114.90 0.00 14,010.68 23,356.91			
_	337,778.00		337,778.00		368,378.75	_	24,640.00		38,650.68		37,482.49			
	0.00 0.00 361,442.13 0.00 60.00	·	0.00 0.00 361,442.13 0.00 60.00		0.00 0.00 356,439.70 0.00 60.00		25,022.18 0.00 0.00 0.00 0.00 25,022.18		35,482.48 2,955.48 480.00 0.00 114.90 39,032.86	-	35,254.86 2,317.48 107.41 0.00 114.90 37,794.65			
	0.00		0.00		35,603.18		0.00		0.00		70.02			
-	0.00		0.00	_	0.00		0.00		0.00		0.00			
	0.00		0.00		35,603.18 0.00		0.00		0.00		70.02 0.00			
- \$_	0.00	· - \$_	0.00	· - \$_	35,603.18	\$ _	0.00	 . \$_	0.00	\$ __	70.02			

WATONGA INDEPENDENT SCHOOL DISTRICT NO. 42 BLAINE COUNTY, OKLAHOMA COMBINING STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCES - REGULATORY BASIS - FIDUCIARY FUNDS JUNE 30, 2014

ACCETO	-	Agency Fund Activity Fund		Totals 2014
<u>ASSETS</u>				
Cash and Investments	\$_	172,715.96	\$	172,715.96
Total Assets	. \$	172,715.96	\$_	172,715.96
LIABILITIES AND FUND BALANCE Liabilities: Warrants Payable Due to Others	\$	0.00 0.00	\$_	0.00 0.00
Total Liabilities		0.00	-	0.00
Total fund balances		172,715.96		172,715.96
Total Liabilities and Fund Balances	\$	172,715.96	\$_	172,715.96

WATONGA INDEPENDENT SCHOOL DISTRICT NO. 42 BLAINE COUNTY, OKLAHOMA COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES - REGULATORY BASIS ALL AGENCY FUNDS

July 1, 2013 through June 30, 2014

<u>ASSETS</u>	Beginning Balance		Total		Total	÷	Total		Ending Balance
ACTIVITIES	As of 7-1-13		Receipts	_	Adjustments		Disbursements		As of 6-30-14
Football	\$ 7,466.70	\$	47,189.44	\$	2,548.57	\$	47,854.98	\$	9,349.73
Boys Basketball	3,525.29		16,142.89		(476.77)		13,739.90		5,451.51
Girls Basketball	5,931.65		15,982.87		1,595.26		18,278.77		5,231.01
Baseball	970.31		14,468.19		1,610.20		15,249.56		1,799.14
Girls Softball	1,049.10		8,499.09		1,099.36		6,740.20		3,907.35
Wrestling	795.99		698.00		0.00		757.75		736.24
Track	8.087.60		18.563.51		(598.83)		15,423.57		10,628.71
Golf	1,011.02		0.00		0.00		0.00		1,011.02
Cross Country Track	7.624.84		6,176.50		582.00		6,465.79		7,917.55
General Athletic Fund	356.85		3,521.00		(1,882.78)		1,702.22		292.85
	4,191.34		13,878.17		(322.01)		2,361.38		15,386:12
Band Parents	14,345.58		17,206.60		(1,761.60)		12,692.40		17,098.18
Yearbook 08			17,660.86		1,470.60		17,020.75		4,019.98
Band	1,909.27		910.28		881.13		2,266.87		1,066.56
H.S. Miscellaneous	1,542.02				0.00		0.00		823.43
FBLA	823.43		0.00						
FFA	9,247.18		31,379.60		2,763.58		28,587.98		14,802.38
FCCLA	172.65		2,699.34		92.86		2,211.84		753.01
Cheerleaders	4,259.99		15,852.60		(2,365.00)		13,284.66		4,462.93
National Honor Society	302.00		140.00		0.00		135.40		306.60
H.S. Student Council	1,263.88		1,960.22		200.00		555.95		2,868.15
H.S Library	903.32		0.00		(903.32)		0.00		0.00
Heritage	100.44		0.00		0.00		0.00		100.44
Special Scholarships	2,406.20		1,475.10		0.00		466.00		3,415.30
Indian Club	454.17		0.00		0.00		0.00		454.17
M.S. Miscellaneous	5,275.87		10,779.00		110.00		10,685.93		5,478.94
M.S. Library	70.98		100.00		0.00		0.00		170.98
Special Olympics	0.00		1,765.00		(5.00)		1,624.99		135.01
Elementary Miscellaneous	13,608.61	•	18,250.99		2,074.79		15,928.47		18,005.92
Interest Now Acct.	203.22		0.00		(23.52)		94.95		84.75
General Clearing	0.00		7,407.36		514.02		7,921.38		0.00
Fellowship of Christian Athletes	368.54		0.00		0.00		0.00		368.54
TSA	1,065.12		181.00		0.00		761.27		484.85
Prom Fund	3,435.89		2,029.00		(32.00)		4,284.39		1,148.50
	0.00		131.00		0.00		0.00		131.00
Class of 2016	849.03		1,336.25		0.00		1,068.45		1,116.83
Class of 2015			•		0.00		704.40		377.71
Class of 2013	1,082.11		0.00				418.00		72.00
Class of 2014	149.00		341.00		0.00				153.57
Spanish	153.57		0.00		0.00		0.00		
Ecology	201.40		0.00		0.00		0.00		201.40
SADD	193.02		0.00		0.00	-	0.00	•	193.02
MS Swat	308.68		0.00		0.00		0.00		308.68
Class of 2017	0.00		57.00		0.00		0.00		57.00
Gifted & Talented	0.00		0.00		0.00		0.00		0.00
Quiz Bowl Team	128.21		0.00		0.00		0.00		128.21
Eagle Freeze	1,145.04		2,785.00		(449.23)		1,512.45		1,968.36
Moundry Showmanship	16,250.00		0.00		0.00		1,750.00		14,500.00
Parent/Teacher Organization	20,164.57		811.36		13.98		5,967.42		15,022.49
M.S. Scholastics	726.63	_	30.00	-	0.00		30.79		725.84
TOTAL ASSETS	\$ 144,120.31	\$_	280,408.22	\$_	6,736.29	\$_	258,548.86	\$	172,715.96
LIABILITIES		•	000 100 00	_	0 700 00	•	050 540 00	•	470 745 00
Due to Student Groups	\$ 144,120.31	. \$_	280,408.22	\$ _	6,736.29	. \$_	258,548.86	\$_	172,715.96
TOTAL LIABILITIES	\$ 144,120.31	\$_	280,408.22	\$	6,736.29	\$_	258,548.86	\$	172,715.96

SUPPLEMENTARY INFORMATION

OF

WATONGA INDEPENDENT SCHOOL DISTRICT NO. 42 BLAINE COUNTY, OKLAHOMA

WATONGA INDEPENDENT SCHOOL DISTRICT NO. 42 BLAINE COUNTY, OKLAHOMA SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2014

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Project Reporting Number	Program Approved Amount	Beginning Balance at July 1, 2013	Receipts	Expenditures	Ending Balance at June 30, 2014
U.S. Department of Education Direct Programs: Title VII, Part A, Indian Education #S060A100699 Title VIII, Impact Aid Total U.S. Department of Education	ams: 84.060A 84.041	561 591/592	\$ 35,477.00 89,916.43 125,393.43	\$ 0.00	\$ 20,696.01 89,916.43 110,612.44	\$ 35,477.00 89,916.43 125,393.43	\$ (14,780.99) 0.00 (14,780.99)
Passes-through State Department of Education : 2012-2013 Programs	ation :						
Title II - Part A Title II - Part A	84.010 84.367 84.027	511 541	0.00	(24,230.88) (41.58) (10,315.48)	24,230.88 41.58 10,315.48	0.00	(0.00)
IDEA-B Frowthrough IDEA-B Preschool Title VI - Part B, Subpart 2	84.173 84.358	641 587	00.0		433.69	0.00	0.00
2013-2014 Programs				-			
Title II - Part A	84.010 84.367	511 541	252,057.37 25,116.17		201,784.48 15,649.08	203,737.95	(1,953.47)
DEA-B Flowthrough	84.027 84.173	621 641	150,834.06 6,042.11		147,080.82 4,879.14	147,080.82 4,879.14	0.00
Medical Resources THO VI Dark B. Subnat 2	93.778 84.358	698	20,703.06 15,532.67	0.00	20,703.06 15,532.67	20,703.06 15,532.67	0.00
Title II, Adult Education and Literacy	84.002	731	34,316.48	-	23,356.91	23,356.91	0.00
Total State Department of Education			504,601.92	(39,214.64)	468,200.80	430,939.63	(1,953.47)
U.S. Department of Agriculture: Passed Through State Dept. of Education:							
Cash Assistance: National School Lunch Program	10.555	763	208,748.76		2	195,508.56	13,240.20
School Breakfast Program Summer Food Service Program	10.553 10.559	764 766	64,272.60 9,358.80	0.00	64,2/2.60	55,229,25 8,793.78	8,045.33 (8,793.78)
Non-Cash Assistance (Commodities): National School Lunch Program Total U.S. Department of Agriculture	10.555	n/a	19,516.12 301,896.28	2 8 0.00	19,516.12 292,537.48	19,516.12 280,047.71	0.00
TOTAL FEDERAL ASSISTANCE		-	\$ 931,891.63	3 \$ (39,214.64)	\$ 871,350.72	\$ 836,380.77	\$ (4,244.69)

Note - The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations.* Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements. Nonmonetary assistance in the form of commodities is reported in the schedule at the fair market value of the commodities received and disbursed.

REPORTS ON INTERNAL CONTROL AND ON COMPLIANCE

OF

WATONGA INDEPENDENT SCHOOL DISTRICT NO. 42 BLAINE COUNTY, OKLAHOMA JAMES M. KUYKENDALL RICK D. MILLER

204 E. FRANKLIN - P.O. BOX 507 WEATHERFORD, OK 73096 580-772-3596 FAX 580-772-3085 BRANCH OFFICE: 106 N. COLLEGE - P.O. BOX 266 CORDELL, OK 73632 580-832-5313 FAX 580-832-5314

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

The Honorable Board of Education Watonga Independent School District No. 42 Watonga, Blaine County, Oklahoma

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the fund type and account group financial statements of Watonga Independent School District No. 42, Oklahoma, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Watonga Independent School District No. 42, Oklahoma's basic financial statements, and have issued our report thereon dated November 3, 2014. As stated in our report, the financial statements were prepared in compliance with the cash basis as prescribed by the Oklahoma State Department of Education, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. In our report, our opinion was qualified because the omission of the General Fixed Assets Account Group results in an incomplete presentation.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Watonga Independent School District No. 42, Oklahoma's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Watonga Independent School District No. 42, Oklahoma's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* in the United States of America.

However, we noted certain matters that we have reported to the Board of Education and administrative employees of Watonga Independent School District No. 42, Oklahoma, in a separate statement of audit comments included with this report.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Britton, Kuybendall & Miller BRITTON, KUYKENDALL AND MILLER Certified Public Accountants

Weatherford, Oklahoma

November 3, 2014

TO THE THE ACCOUNT A THICK A WILLIAM A TRANSPORT ORT. A HOMA 7900

JAMES M. KUYKENDALL RICK D. MILLER 204 E. FRANKLIN - P.O. BOX 507 WEATHERFORD, OK 73096 580-772-3596 FAX 580-772-3085 BRANCH OFFICE: 106 N. COLLEGE - P.O. BOX 266 CORDELL, OK 73632 580-832-5313 FAX 580-832-5314

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

The Honorable Board of Education Watonga Independent School District No. 42 Watonga, Blaine County, Oklahoma

Report on Compliance for Each Major Federal Program

We have audited Watonga Independent School District No. 42, Oklahoma's compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on each of Watonga Independent School District No. 42, Oklahoma's major federal programs for the year ended June 30, 2014. Watonga Independent School District No. 42, Oklahoma's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Watonga Independent School District No. 42, Oklahoma's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Watonga Independent School District No. 42, Oklahoma's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Watonga Independent School District No. 42, Oklahoma's compliance.

Opinion on Each Major Federal Program

In our opinion, Watonga Independent School District No. 42, Oklahoma, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control over Compliance

Management of Watonga Independent School District No. 42, Oklahoma, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Watonga Independent School District No. 42, Oklahoma's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

BRITTON, KUYKENDALL AND MILLER

Britton, Kurphendoll & Miller

Certified Public Accountants

Weatherford, Oklahoma November 3, 2014

WATONGA INDEPENDENT SCHOOL DISTRICT NO. 42 BLAINE COUNTY, OKLAHOMA SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2014

SUMMARY OF AUDITOR'S RESULTS

TYPE OF REPORT ISSUED ON THE FINANCIAL STATEMENTS:

Adverse Opinion

MATERIAL WEAKNESSES IDENTIFIED IN INTERNAL CONTROL OVER FINANCIAL REPORTING:

No

SIGNIFICANT DEFICIENCIES IDENTIFIED IN INTERNAL CONTROL OVER FINANCIAL REPORTING THAT ARE NOT CONSIDERED TO BE MATERIAL WEAKNESSES:

No

DISCLOSURES OF NONCOMPLIANCE MATERIAL TO THE FINANCIAL STATEMENTS:

None Reported

MATERIAL WEAKNESSES IDENTIFIED IN INTERNAL CONTROL OVER MAJOR FEDERAL AWARD PROGRAMS:

No

SIGNIFICANT DEFICIENCIES IDENTIFIED IN INTERNAL CONTROL OVER MAJOR FEDERAL AWARD PROGRAMS THAT ARE NOT CONSIDERED TO BE MATERIAL WEAKNESSES:

No

TYPE OF REPORT ISSUED ON COMPLIANCE FOR MAJOR PROGRAMS:

Unqualified Opinion

AUDIT FINDINGS REQUIRED TO BE REPORTED IN ACCORDANCE WITH SECTION 510(A) OF OMB CIRCULAR A-133:

No

MAJOR PROGRAMS:

84.041 Title VIII, Impact Aid

84.010 Title I

84.027 IDEA-B Flow Through 84.173 IDEA-B Preschool

DOLLAR THRESHOLD USED TO DISTINGUISH BETWEEN TYPE A AND B PROGRAMS:

\$300,000

QUALIFIED LOW-RISK AUDITEE:

No

FINDINGS & QUESTIONED COSTS FOR FEDERAL AWARDS

None Reported

WATONGA INDEPENDENT SCHOOL DISTRICT NO. 42 BLAINE COUNTY, OKLAHOMA AUDIT COMMENTS JUNE 30, 2014

CURRENT YEAR

- During our audit of the payroll records, we noted that the District had not issued 1099's to each person or business (excluding corporations) to whom at least \$600.00 was paid for rents or services in the course of business as required by the Internal Revenue Service.
- 14-2 During our audit of the General Fund, Child Nutrition Fund, Co-op Fund, and Activity Fund, we noted instances where invoices were not signed to verify receipt of goods or services. The person receiving goods or services should sign the invoice, statement, or delivery ticket to indicate that the goods or services were received and in good condition.

PRIOR YEAR

- During our audit of the Activity Funds, we found that money being receipted by several of the Activity Fund Sponsors was not being forwarded to the Activity Fund Custodians on a timely basis. Per 70 O.S. 5-129, state law requires that when required custodians deposit money daily.
- 13-2 During our audit of the Child Nutrition Fund and Activity Fund, we noted instances where invoices were not signed to verify receipt of goods or services. The person receiving goods or services should sign the invoice, statement, or delivery ticket to indicate that the goods or services were received and in good condition.
- 13-3 During our audit of the Activity Fund, we noted that receipt books issued to sponsors were not being properly accounted for. There should be proper controls in place to document to whom all receipt books are issued at the beginning of the school year and when they are all returned at year end.

The District implemented procedures to correct 13-1 & 13-3. However, 13-2 had instances of reoccurrence in the current fiscal year

WATONGA PUBLIC SCHOOLS P.O. Box 310 Watonga, OK 73772



Excellence in Education

Watonga Public Schools 2013-2014 Audit Findings & Responses Britton, Kuykendall, & Miller

November 3, 2014

Current Year

During our audit of the payroll records, we noted that the District had not issued 1099's to each person or business (excluding corporations) to whom at least \$600.00 was paid for rents or services in the course of business as required by the Internal Revenue Service.

Response: District personnel will review all payroll records and issue 1099's to the appropriate people. Any time there is a concern who should receive a 1099 district personnel will contact the school auditors to make sure this is completed correctly.

14-2 During our audit of the General Fund, Child Nutrition Fund, Coo-op Fund, and Activity Fund, we noted instances where invoices were not signed to verify receipt of goods or services. The person receiving goods or services should sign the invoice, statement, or delivery ticket to indicate that the goods or services were received and in good condition.

Response: This has been an issue in the past and district personnel have been working to make this correction. District personnel have been informed of the correct procedure and will make sure all invoices have been signed to verify receipt of goods or services.

Sincerely,

Bill Seitter, Superintendent Watonga Public Schools

WATONGA PUBLIC SCHOOLS P.O. Box 310 Watonga, OK 73772



Excellence in Education

2012-2013 Audit Findings & Responses Britton, Kuykendall, & Miller

December 3, 2013

During our audit of the Activity Funds, we found that money being receipted by several of the Activity Fund Sponsors was not being forwarded to the Activity Fund Custodians on a timely basis. Per 70 O.S. 5-129, state law requires that when required custodians deposit money daily.

Response: I have talked to the faculty about all the audit exceptions and explained the correct procedures for each exception. As the year progresses and individual people do not follow procedures then I will have a personal discussion with those people about following state law.

13-2 During our audit of the Child Nutrition Fund and Activity Fund, we noted instances where invoices were not signed to verify receipt of goods or services. The person receiving goods or services should sign the invoice, statement, or delivery ticket to indicated that the goods or services were received and in good condition.

Response: I have talked to the faculty and Child Nutrition workers about all the audit exceptions and explained the correct procedures for each exception. As the year progresses and individual people do not follow procedures then I will have a personal discussion with those people about following state law.

During our audit of the Activity Fund, we noted that receipt books issued to sponsors were not being properly accounted for. There should be proper controls in place to document to whom all receipt books are issued at the beginning of the school year and when they are all returned at the year end.

Response: We have developed a document showing what receipt books are issued to sponsors. These books will be collected when teachers check out at the end of the school year or at the end of the fiscal year if a sponsor needs the book from the time school is out in May and the end of June.

Sincerely,

Bill Seitter, Superintendent

Elementary School High School 580-623-5248 580-623-7361 District FAX Middle School District Office 580-623-7370 580-623-7361 580-623-7364

WATONGA INDEPENDENT SCHOOL DISTRICT NO. 42 BLAINE COUNTY, OKLAHOMA SCHEDULE OF ACCOUNTANTS' PROFESSIONAL LIABILITY INSURANCE AFFIDAVIT JULY 1, 2013 THROUGH JUNE 30, 2014

State of Oklahoma)
) ss
County of Custer	
The undersioned audit	ting firm of lawful age, being first duly sworn on oath, says that said firm
_	effect Accountants' Professional Liability Insurance in accordance with the
	hool Audit Law" at the time of audit contract and during the entire audit
	onga Independent School District No. 42 for the audit year 2013-2014.
Britton, Krugh	undsell & Miller
BRITTON, KUYKEN	IDALL & MILLER
Certified Public Accor	
By Dich /	hilly
	`
Subscribed and sworn	to before me this 28th day of October, 2014.
Patty K	lein,
NOTARY PUBLIC	< #07007593 $< #07007593$ $< #07007593$ $< #07007593$
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	William Contraction
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